



WILLIAM T FUJIOKA  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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December 17, 2012

To: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

### **FOOD SERVICE CONTRACTS (ITEM 11, AGENDA OF OCTOBER 23, 2012)**

On October 23, 2012, on motion by Supervisor Ridley-Thomas, the Board instructed the Chief Executive Officer (CEO), County Counsel, and the Directors of Internal Services, Public Health, Health Services, Probation, Community and Senior Services, Children and Family Services, and Parks and Recreation, to:

1. Form a work group to develop a standardized framework for food services contracts that complies with previously adopted Board policies. The CEO shall report back to the Board, in writing, within 60 days with recommendations, the benefits that could accrue from each recommendation, and an implementation timeline.
2. Instruct the CEO and the Directors of the Departments of Health Services, Probation, Community and Senior Services, Children and Family Services, and Parks and Recreation to implement the recommendations from the Auditor-Controller's September 28, 2012 report.

### **BACKGROUND**

Within the County of Los Angeles, departments enter into contracts to provide various types of food related services to constituents such as meals on wheels, dining at congregant centers, food for hospital patients as well as cafeteria services at Health Services hospitals. On September 28, 2012, the Auditor-Controller released an audit of

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food service contracts that highlighted inconsistencies in the contract language, terms and conditions as well as deficiencies in contract monitoring and oversight. In response to the findings, the Board instructed this Office to assemble a workgroup to examine the existing contract language and to develop standardized framework for food services contracts.

In a related initiative, this Office is leading a countywide effort to streamline the contracting system by automating the process into the eCAPS procurement system. On October 2, 2012, your Board approved \$2.0 million in the Supplemental Budget for the countywide computer system. The system would track the lifecycle of a contract from solicitation to award, and close out from a central document repository. Each document will contain contract language, terms and conditions in a template format that will be pre-approved by County Counsel. Sub-committees have been established to review Prop A and social service contracts which were identified as the two initial candidates for streamlining. With the publication of the findings from the food service audit and the resulting instructions by the Board, food service contracts have been added to the initial set of contracts being reviewed. Therefore, the Food Service Workgroup was convened as a subcommittee of the larger contracting effort.

#### **FOOD SERVICE CONTRACT WORKGROUP/CONTRACTING SUBCOMITTEE**

In accordance with the Board's instructions, a Food Services Workgroup was established by members of the CEO, County Counsel, Internal Services, Public Health, Health Services, Probation, Community and Senior Services, Children and Family Services, and Parks and Recreation. As stated above, the Workgroup convened as a subcommittee of the larger Countywide Contracting Improvement Project. An initial meeting occurred on November 21, 2012 during which each department discussed their specific contracts requirements in an effort to identify common language and terms that could be used by all departments. It should be noted that each department had contracts that were specialized to their needs. For example, Parks provides food on a strict reimbursement rate that is set by the Federal Government, while Probation paid a negotiated contract rate on food services and Health paid a per meal fee. Each department is now reviewing their existing contracts to identify inconsistencies, problematic language, examples of good contracts and monitoring tools. Follow up meetings will occur to agree on standard terminology for the Food Service Contract template.

#### **STEPS TAKEN TO ADDRESS AUDIT FINDINGS**

Each department participating in the Food Service Contract Workgroup also provided the following responses to the audit findings:

### **Community and Senior Service**

- Met with food service contractors on 9/27/12 to advise them of the audit/findings, addressing the program income reporting/monitoring requirements.
- As part of FY 11-12 closeout, CSS will be monitoring contractors' FY 11-12 closeouts (as well as their subcontractors'/caterers' closeouts) to ensure that any program income for FY 11-12 was reported and reprogrammed.
- CSS will be releasing policy to its contractors to clarify their program income reporting requirements, as well as their subcontractors, specifically addressing rebates and discounts. The program memo will address contractors' responsibilities to monitor their subcontractors' program income, also providing guidelines on how the program income should be monitored.
- Adherence to all policy directives is required as part of the Elderly Nutrition Program contracts.

### **Children and Family Services**

- The current Food Services Contract with CulinArt of California, Inc. does not include specific language requiring the contractor to provide documentation to support rate increases, however, appropriate documentation was acquired and retained in the contract files for the recent increase effective August 1, 2012 through July 31, 2015.
- Firmed fixed rates were increased from \$6.47 to \$6.75 to reflect an increase in cost of living and additional services rendered.
- DCFS will incorporate standardized language recommended by the workgroup on documentation requirements.
- DCFS agrees to include recommended language in future food services contracts as appropriate.

### **Health Service**

- Will consider incorporating the standardized contract language developed by the food services contracts work group in future solicitations and contracts.
- Will issue a written request to each food service contractor requesting specific cost savings analyses and repayment, accordingly. DHS will also work with County Counsel to resolve noncompliance issues related to the cost savings analyses.
- Will provide a written reminder to food service contractors of their required compliance with all terms and conditions in their respective contracts and request the required cost savings analyses.

- The current DHS Request for Proposals for patient dietary services includes a per meal unit price and a per unit price for specific items listed under incidental and floor supplies. Since the new contract will not be a cost reimbursement contract, it will not involve sharing of cost savings and rebates.
- Will work with County Counsel to determine the appropriate approach to incorporate rebates, credits and discounts in future cost reimbursement contracts.
- Will ensure future food service contracts include clear and specific language distinguishing patient dietary meal costs from concession cafeteria costs and will notify the Board in the event the Department considers subsidizing cafeteria operations.
- DHS is in the process of restructuring its overall contract monitoring operations, including contract monitoring reporting and oversight responsibilities. DHS has also engaged the Auditor-Controller's Countywide Contract Monitoring Division to assist in the development and presentation of training to all contract monitoring staff involved with contracts. Training is expected to be completed by the end of 2012.

#### **Probation**

- Probation will consider incorporation the standardized contract language developed by the food service work group in future solicitations and contracts.
- Will consider sending USDA food to contractor-served facilities to reduce food costs.
- Will work with the CEO and County Counsel to determine the appropriate approach to incorporate rebates and cost savings in future solicitations as well as requiring the County to have access to review the contractor's actual cost to support any price increases.

#### **Parks and Recreation**

- Parks is working as an active participant in the Countywide Food Services Contracts work group to develop a framework and standardized language for County food service contracts.
- Parks will incorporate the resulting standardized contract language developed by the work group into future food service solicitations and contracts when feasible and to the extent possible.

### **NEXT STEPS**

Over the next 90 days, this Office and the Food Service Subcommittee will:

- Convene regular meetings of the Food Services Subcommittee to,
  - Evaluate current food services contracts to identify quality best practice contract provisions;
  - Work with County Counsel to finalize a contract template for food services for inclusion in the new centralized contract system.

We will continue to keep your Board informed, and will provide another status report in the larger quarterly report back for the improvements to the Contracting Process Project. If you have any questions, please contact Ellen Sandt at (213) 974-1186.

WTF:EFS:SAW:ef

c:     Executive Office, Board of Supervisors  
         County Counsel  
         Auditor-Controller  
         Children and Family Services  
         Community and Senior Services  
         Health Services  
         Internal Services  
         Parks and Recreation  
         Probation